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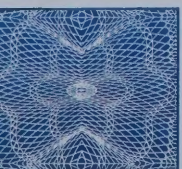
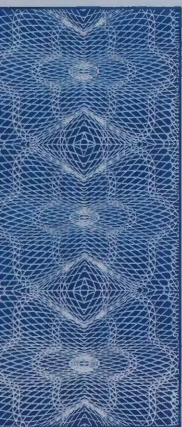
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# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## ANNUAL REPORT 1972







# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

HEAD OFFICE - OTTAWA

## DIRECTORS.

\*YVON BOULANGER  
Montreal

H. M. BOYCE  
Vancouver

J.N. COLE  
Montreal

+IAN DOUGLAS, c.d., q.c.  
Toronto

Hon. GEORGE B. FOSTER, D.F.C., M.B.E., Q.C.  
Montreal

GORDON P. OSLER  
Toronto

\*EXECUTIVE COMMITTEE - A. MURRAY VAUGHAN, Chairman

+AUDIT COMMITTEE - JAMES M. TORY, Chairman

\*KENNETH S. SARGENT  
Ottawa

+JAMES M. TORY, q.c.  
Toronto

\*A. MURRAY VAUGHAN, c.c.  
Montreal

MRS. L. M. VAUGHAN  
Montreal

\*\*R.P. WHITE, O.B.E., V.R.D.  
Ottawa

## OFFICERS

A. MURRAY VAUGHAN,	Chairman and Chief Executive Officer
R. P. WHITE,	President
KENNETH S. SARGENT,	Executive Vice President
R. BROCK YOUNG,	Vice President Marketing
GORDON C. LESLIE,	Vice President Manufacturing
CLARE V. VAUGHAN,	Controller and Chief Financial Officer
JOHN M. BRADY,	Treasurer
REGINALD F. BLANDFORD,	Secretary

### TRANSFER AGENT

The Royal Trust Company      Montreal, Toronto and Vancouver

### REGISTRAR

Montreal Trust Company      Montreal, Toronto and Vancouver

### AUDITORS

Touche Ross & Co.







# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## CHAIRMAN'S REPORT

Your Directors submit herewith the consolidated financial statements for the Company's 106th year ended December 31, 1972 as reported on by the Company's auditors, Touche Ross & Co.

Sales in 1972 reached \$8,531,170 compared to \$7,539,282 in the previous year, an increase of \$991,888. Consolidated earnings for the year were \$643,370 or \$1.43 per share compared to \$566,905 or \$1.26 per share for 1971. During the year quarterly dividends of 20¢ per share were paid in March, June, September and December. Total dividends were 80¢ per share.

The year ended with current assets of \$2,840,357 and current liabilities of \$1,072,532. Working capital was \$1,767,825, an increase over last year of \$315,120.

An Audit Committee of the Board of Directors was established during 1972.

Mr. J.N. Cole, Montreal, Vice-Chairman and Director of Wood Gundy Limited, was appointed to the Board of Directors on February 10, 1972. Mr. Gordon P. Osler, Toronto, Vice-Chairman of British Steel Corporation (Canada) Limited, was elected to the Board of Directors on April 20, 1972.

On behalf of the Directors it is a pleasure to pay a well deserved tribute to the loyal and efficient service of the employees and officers of our group of companies.

Chairman and Chief Executive Officer.

February 15, 1973



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## PRESIDENT'S REPORT TO THE SHAREHOLDERS

Your Company continues to expand its services and operations in order to meet the growing needs of the financial community for security printing.

### SECURITY

The protection of our customers' interests and products is the main objective of our security program. Our employees have a security awareness and abide by high standards which have been acknowledged by qualified specialists to provide our customers with the highest degree of protection.

### PRODUCTS

**Bank Notes** - The volume of bank notes printed for the Bank of Canada continues at a satisfactory level. In 1973 production will be changed over to notes of the new design. Coincident with the changeover new equipment is to be installed to provide improved production as well as consistent high quality.

**Share Certificates** - The number of engraved share certificates issued annually in Canada has stabilized over the last few years. We are forecasting an increase in 1973 and expect this trend to continue. The present significant decline in their use in the United States has not been felt in Canada because blank or unlimited share certificates have been permitted on the Stock Exchanges in Canada for many years, whereas this practice was only recently instituted in the United States.

**Postage Stamps** - We have the capability of producing a wide range of products specified by the Canada Post Office using the four major printing processes - letterpress, lithography, gravure and steel engraving. Since 1968 we have supplied the Post Office with many of its requirements produced on special automated equipment combining several printing and processing operations.



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## DEVELOPMENT

The Company has entered a period of increased expenditures for new plant equipment and for research and development. We will continue to improve production efficiency which will ensure steady growth and enable us to meet the changing requirements of our many customers. Special safeguards against counterfeiting are being regularly introduced into negotiable and valuable documents.

## PERSONNEL

Your Company has a skilled staff of qualified people who keep abreast of technical developments in the security printing industry on the North American continent as well as in England and Europe.

A Share Purchase Plan enabling all employees to buy shares of the Company's stock on the open market through payroll deduction was instituted during the year. The Plan has been well received. A good percentage of the employees are participating and the numbers are increasing.

## OUTLOOK

There is a substantial backlog of orders in all plants. Production capacity is being increased at The Franklin Press Limited, Toronto, Alberta Security Printing, Calgary and Winnipeg Banknote Company Ltd.

Security Printing Corporation Ltd., Vancouver, is expanding regular product lines.

The demand for our products containing security features continues to grow. Sales in 1972 reached a record high and we are looking forward to further improvement in 1973.

President.

February 15, 1973





# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972

### ASSETS

1972

1971

#### CURRENT

Cash	\$ 244,134	\$ 184,912
Accounts receivable	1,240,460	887,861
Income taxes recoverable	-	141,067
Inventories of raw materials, work in process and finished stock, valued at the lower of cost or net realizable value	1,227,590	1,107,172
Prepaid charges	128,173	67,654
	<u>2,840,357</u>	<u>2,388,666</u>

#### OTHER

Investments - at cost (approximate market value 1972 - \$467,000; 1971 - \$550,000)	556,612	628,551
Deferred past service pension costs (Note 2)	75,682	140,182
	<u>632,294</u>	<u>768,733</u>

#### FIXED - AT COST

Building, land, furniture, equipment and engraved stock	6,768,672	6,527,677
Less accumulated depreciation	4,840,960	4,708,321
	<u>1,927,712</u>	<u>1,819,356</u>

Excess of cost of shares of subsidiary  
companies over the book amount of their  
net assets at the dates of acquisition

204,427	204,427
<u>\$5,604,790</u>	<u>\$5,181,182</u>

On behalf of the Board:

A. MURRAY VAUGHAN, Director

R. P. WHITE, Director



## LIABILITIES

### CURRENT

	1972	1971
Bank loan	\$ 70,000	\$ 160,000
Accounts payable and accrued liabilities	773,882	644,307
Income taxes payable (Note 3)	113,527	-
Sales taxes payable	<u>115,123</u>	<u>131,654</u>
	1,072,532	935,961
Deferred income taxes (Note 3)	264,000	259,000
Minority interest	12,425	13,758

## SHAREHOLDERS' EQUITY

### Capital stock

Authorized - 600,000 common shares of no par value		
Issued and fully paid - 450,000 shares	300,000	300,000
Retained earnings	<u>3,955,833</u>	<u>3,672,463</u>
	<u>4,255,833</u>	<u>3,972,463</u>
	<u>\$5,604,790</u>	<u>\$5,181,182</u>



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Sales	<u>\$8,531,170</u>	<u>\$7,539,282</u>
Net earnings from operations	\$1,175,641	\$1,018,951
Investment Income	49,382	49,070
Other Income	<u>24,671</u>	<u>23,371</u>
	<u>1,249,694</u>	<u>1,091,392</u>
Provision for income taxes (Note 3)	604,658	522,000
Minority Interest	<u>1,666</u>	<u>2,487</u>
	<u>606,324</u>	<u>524,487</u>
Earnings for the year (per share 1972 - \$1.43; 1971 - \$1.26)	643,370	566,905
Retained earnings, beginning of year	<u>3,672,463</u>	<u>3,465,558</u>
	4,315,833	4,032,463
Less dividends paid	<u>360,000</u>	<u>360,000</u>
Retained earnings, end of year	<u>\$3,955,833</u>	<u>\$3,672,463</u>



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
<b>SOURCE</b>		
From operations		
Earnings for the year	\$ 643,370	\$ 566,905
Amounts charged against earnings not requiring an outlay of funds		
Depreciation	165,274	150,397
Amortization of deferred past service pension costs (Note 2)	<u>64,500</u>	<u>64,500</u>
	873,144	781,802
Increase in deferred income taxes (Note 3)	5,000	8,000
Sale of investments	<u>71,939</u>	<u>-</u>
	<u>950,083</u>	<u>789,802</u>
<b>APPLICATION</b>		
Dividends	360,000	360,000
Purchases of fixed assets - net	273,630	329,096
Decrease in minority interest	1,333	263
Purchase of investment	<u>-</u>	<u>341</u>
	<u>634,963</u>	<u>689,700</u>
Increase in working capital	315,120	100,102
Working capital at beginning of year	<u>1,452,705</u>	<u>1,352,603</u>
Working capital at end of year	<u>\$1,767,825</u>	<u>\$1,452,705</u>





# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1972

### 1. Subsidiary Companies

The consolidated financial statements which have been circulated to shareholders include the accounts of British American Bank Note Company Limited (incorporated under the Canada Corporations Act) and its subsidiaries whose financial statements are not published.

#### Wholly Owned

- The Franklin Press Limited (incorporated under the Laws of Ontario)
- Compagnie de Billets de Banque Québec Ltée - Quebec Bank Note Company Ltd. (incorporated under the Quebec Companies Act)
- Alberta Banknote Co. Ltd. (incorporated under The Companies Act of the Province of Alberta)

#### Partly Owned

- Security Printing Corporation Ltd. (incorporated under the British Columbia Companies Act)
- Winnipeg Banknote Company Ltd. (incorporated under The Companies Act - Manitoba)

### 2. Deferred Past Service Pension Costs

In 1966 the Company made a lump sum payment to the pension plan in respect of past service benefits. The annual amortization of \$64,500 was charged against income during the year leaving a balance in this account of \$75,682.

### 3. Income Taxes

The provision for income taxes exceeds the income taxes currently payable by \$5,000 and deferred income taxes on the balance sheet has been increased by this amount. This arises from the following:

Excess of the maximum capital cost allowances allowable for income tax purposes over depreciation charged in the accounts	<u>\$47,000</u>
Reflection in the accounts of a portion of pension costs, referred to in Note 2, which were claimed for income tax purposes when paid	34,000
Income tax payable on inter-company profits in inventory eliminated on consolidation	<u>8,000</u>
	<u>42,000</u>
	<u>\$ 5,000</u>

### 4. Capital Commitments

As at December 31, 1972 there were commitments for capital expenditures amounting to approximately \$600,000.

### 5. Lease Commitments

The Company is committed under the terms of lease contracts with various expiration dates for the rental of premises and equipment. Currently the annual lease payments amount to approximately \$103,000.

### 6. Remuneration of Directors and Officers

The parent Company had eleven directors whose aggregate remuneration as directors in 1972 was \$30,250. The parent Company had eight officers whose aggregate remuneration as officers was \$211,600. Three of these officers were also directors.





# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## AUDITORS' REPORT

The Shareholders

British American Bank Note Company Limited

We have examined the consolidated balance sheet of British American Bank Note Company Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.  
Chartered Accountants

Ottawa, Ontario, February 2, 1973

